

**BEAVER TOWNSHIP
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2008

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BEAVER TOWNSHIP

Board Members

| | <u>Position</u> |
|----------------|-----------------|
| Allen Ward | Supervisor |
| Penny Gleason | Clerk |
| Amy Maynard | Treasurer |
| Gene Knapp | Trustee |
| Judy Peplinski | Trustee |

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Township Board
Beaver Township
Newaygo, County
Bitely, MI 49309

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beaver Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Beaver Township, Michigan as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 21 and 22, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Fax (616) 453-9352

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Muskegon, MI 49444
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Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

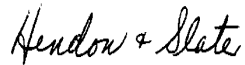
Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
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Phone (231) 873-5611
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As discussed in Note A, the Township adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beaver Township, Michigan's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Hendon & Slate, P.C.
Certified Public Accountants
October 22, 2008

BEAVER TOWNSHIP

Management's Discussion and Analysis (MD&A) For the Year Ended March 31, 2008

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's unrestricted net assets (the part of net assets that can be used to finance day-to-day operating) increased 13% from March 31, 2007 - from \$136,951 to \$154,773. In a condensed format, the table below shows key financial information (in future years, when prior year information is available, a comparative analysis of data will be presented):

| | Governmental Activities |
|--|----------------------------|
| Current Assets | \$ 156,033 |
| Non-Current Assets | 16 |
| Total Assets | <u>\$ 156,049</u> |
| Liabilities | <u>\$ 1,260</u> |
| Total Liabilities | <u>\$ 1,260</u> |
| Net Assets | |
| Invested in Capital Assets-Net of Debt | \$ 16 |
| Unrestricted | <u>154,773</u> |
| Total Net Assets | <u>\$ 154,789</u> |
| Program Revenues | |
| Charges for Services | \$ 120 |
| General Revenues | |
| Property Taxes | 38,140 |
| State Shared Revenues | 44,826 |
| Payments in Lieu of Taxes | - |
| National Forest Revenue | 1,570 |
| Investment Earnings | 3,215 |
| Miscellaneous | <u>10,089</u> |
| Total Revenues | \$ 97,960 |

Management's Discussion and Analysis (Continued)

| | |
|------------------------------------|-----------|
| Program Expenses | |
| General Government | 29,639 |
| Public Safety | 17,337 |
| Public Works | 14,550 |
| Health and Welfare | 7,306 |
| Community and Economic Development | 2,105 |
| Other | 9,201 |
| | <hr/> |
| Total Expenses | 80,138 |
| | <hr/> |
| Change in Net Assets | \$ 17,822 |
| | <hr/> |

Governmental Activities

Most of the general government revenues remained similar to previous levels.

Expenses decreased by about \$18,000 from the prior year. Most categories of expenses saw slight increases or decreases.

Business-Type Activities

The Township had no business type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for March 31, 2008 were the General and Fire Funds.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not find it necessary to amend the budget to take into account events during the year. However, the Board over-expended in several activities as reported in the notes to the financial statements.

Capital Asset and Debt Administration

At March 31, 2008, the Township had \$302 invested in capital assets including land and buildings. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the township's financial statements because of Michigan law, which makes these roads property of the Newaygo County Road Commission (along with the responsibility to maintain them).

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Township's budget for March 31, 2009 calls for a small decrease in property taxes. Normally, the Township would plan on a small increase in property taxes due to limited allowed property value increases (the lesser of inflation or 5%). The Township also projects that state shared revenue will increase slightly in the year to come. General Fund expenditures were budgeted for a large increase from the previous budget, with the largest portion being budgeted for road repairs and building improvements.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

BEAVER TOWNSHIP

Government Wide Statement of Net Assets March 31, 2008

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 131,109 |
| Prepaid Insurance | 4,274 |
| Taxes Receivable | 6,584 |
| Due from Trust & Agency | 14,066 |
| Land | 16 |
| Building | 286 |
| Accumulated Depreciation | <u>(286)</u> |
| Total Assets | 156,049 |
| LIABILITIES | |
| Accounts Payable | <u>\$ 1,260</u> |
| Total Liabilities | <u>1,260</u> |
| NET ASSETS | |
| Invested in Capital Assets, Net of Related Debt | 16 |
| Unrestricted | <u>154,773</u> |
| Total Net Assets | <u><u>\$ 154,789</u></u> |

The Notes to the Financial Statements are an integral part of this statement

BEAVER TOWNSHIP

Government Wide Statement of Activities For the Year Ended March 31, 2008

| | <u>Expenses</u> | <u>Program Revenues Charges for Services</u> | <u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u> |
|---|-------------------------|--|---|
| Primary Government | | | |
| General Government | \$ 29,639 | \$ - | \$ (29,639) |
| Public Safety | 17,337 | - | (17,337) |
| Public Works | 14,550 | - | (14,550) |
| Health & Welfare | 7,306 | - | (7,306) |
| Community & Economic Dev. | 2,105 | 120 | (1,985) |
| Other | <u>9,201</u> | <u>-</u> | <u>(9,201)</u> |
| Total Primary Government | <u><u>\$ 80,138</u></u> | <u><u>\$ 120</u></u> | (80,018) |
| General Revenues | | | |
| Property Taxes - Levied for General Purpose | | | 38,140 |
| State Shared Revenue | | | 44,826 |
| Payments in lieu of taxes | | | - |
| National Forest Revenue | | | 1,570 |
| Interest | | | 3,215 |
| Miscellaneous | | | <u>10,089</u> |
| Total General Revenues | | | <u>97,840</u> |
| Change in Net Assets | | | 17,822 |
| Net Assets - April 1, 2007 | | | <u>136,967</u> |
| Net Assets - March 31, 2008 | | | <u><u>\$ 154,789</u></u> |

The Notes to the Financial Statements are an integral part of this statement

BEAVER TOWNSHIP

Governmental Fund Balance Sheet March 31, 2008

| | General Fund | Fire Fund | Total Governmental Funds |
|--------------------------------------|-------------------|------------------|--------------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 109,744 | \$ 21,365 | \$ 131,109 |
| Taxes Receivable | 2,860 | 3,724 | 6,584 |
| Due from Other Funds | <u>8,578</u> | <u>12,578</u> | <u>21,156</u> |
| Total Assets | <u>\$ 121,182</u> | <u>\$ 37,667</u> | <u>\$ 158,849</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 1,260 | \$ - | \$ 1,260 |
| Due to Other Funds | <u>-</u> | <u>7,090</u> | <u>7,090</u> |
| Total Liabilities | 1,260 | 7,090 | 8,350 |
| FUND BALANCES | | | |
| Unrestricted | <u>119,922</u> | <u>30,577</u> | <u>150,499</u> |
| Total Fund Balance | <u>119,922</u> | <u>30,577</u> | <u>150,499</u> |
| Total Liabilities and Fund Equity | <u>\$ 121,182</u> | <u>\$ 37,667</u> | <u>\$ 158,849</u> |

The Notes to the Financial Statements are an integral part of this statement

BEAVER TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Year Ended March 31, 2008

| | |
|----------------------------------|------------|
| Total Governmental Fund Balances | \$ 150,499 |
|----------------------------------|------------|

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

| | |
|--|-------|
| Prepaid insurance reflects amounts that will be paid in a future period. | 4,274 |
|--|-------|

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

| | | |
|---------------------------------------|--------------|-----------|
| Governmental Capital Asset | 302 | |
| Governmental Accumulated Depreciation | <u>(286)</u> | <u>16</u> |

| | |
|---|--------------------------|
| Total Net Assets - Governmental Activities: | <u><u>\$ 154,789</u></u> |
|---|--------------------------|

The Notes to the Financial Statements are an integral part of this statement

BEAVER TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended March 31, 2008

| | General Fund | Fire Fund | Total Governmental Funds |
|---|-------------------|------------------|--------------------------------|
| Revenues | | | |
| Property Taxes | \$ 16,874 | \$ 21,266 | \$ 38,140 |
| State Shared Revenue | 44,826 | - | 44,826 |
| Licenses & Permits | 120 | - | 120 |
| Payments in lieu of taxes | - | - | - |
| National Forest Revenue | 1,570 | - | 1,570 |
| Interest | 3,187 | 28 | 3,215 |
| Miscellaneous | 10,089 | - | 10,089 |
| | <hr/> | <hr/> | <hr/> |
| Total Revenues | 76,666 | 21,294 | 97,960 |
| Expenditures | | | |
| General Government | 29,639 | - | 29,639 |
| Public Safety | - | 17,337 | 17,337 |
| Public Works | 14,550 | - | 14,550 |
| Health & Welfare | 7,306 | - | 7,306 |
| Community & Economic Dev. | 2,105 | - | 2,105 |
| Other | 9,227 | - | 9,227 |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures | 62,827 | 17,337 | 80,164 |
| Excess Revenue Over (Under) Expenditures | 13,839 | 3,957 | 17,796 |
| Fund Balance - April 1, 2007 | 106,083 | 26,620 | 132,703 |
| | <hr/> | <hr/> | <hr/> |
| Fund Balance - March 31, 2008 | <u>\$ 119,922</u> | <u>\$ 30,577</u> | <u>\$ 150,499</u> |

The Notes to the Financial Statements are an integral part of this statement

BEAVER TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2008

| | |
|--|-----------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 17,796 |
|--|-----------|

Amounts reported for governmental activities in the statement of
activities are different because:

Prepaid insurance reflects amounts that will be paid in a
future period:

| | | |
|--------------------------------|----------------|----|
| Current Year Prepaid Insurance | 4,274 | |
| Prior Year Prepaid Insurance | <u>(4,248)</u> | 26 |

| | |
|---|------------------|
| Changes in Net Assets - Governmental Activities | <u>\$ 17,822</u> |
|---|------------------|

The Notes to the Financial Statements are an integral part of this statement

BEAVER TOWNSHIP

Statement of Net Assets - Fiduciary Fund
March 31, 2008

| | <u>Trust and Agency Fund</u> |
|----------------------------------|----------------------------------|
| Assets | |
| Cash and Investments | <u>\$ 6,128</u> |
| Total Assets | <u><u>\$ 6,128</u></u> |
| Liabilities and Net Assets | |
| Liabilities | |
| Due to Other Funds | \$ 14,066 |
| Due to County | 1,496 |
| Due to Schools & ISD | (9,434) |
| Due to Others | <u>-</u> |
| Total Liabilities | 6,128 |
| Net Assets | |
| Unreserved | <u>-</u> |
| Total Liabilities and Net Assets | <u><u>\$ 6,128</u></u> |

The Notes to the Financial Statements are an integral part of this statement

BEAVER TOWNSHIP

Statement of Changes in Net Assets - Fiduciary Funds For the Year Ended March 31, 2008

| | Current Tax Collection Fund | | | |
|----------------------|-----------------------------|-------------------|-------------------|----------------------|
| | Balance 4/1/2007 | Additions | Deductions | Balance 3/31/2008 |
| Assets | | | | |
| Cash and Investments | \$ 20,428 | \$ 463,467 | \$ 477,767 | \$ 6,128 |
| Total Assets | <u>\$ 20,428</u> | <u>\$ 463,467</u> | <u>\$ 477,767</u> | <u>\$ 6,128</u> |
| Liabilities | | | | |
| Due to Township | \$ 24,255 | \$ 33,542 | \$ 43,731 | \$ 14,066 |
| Due to County | 2,378 | 170,852 | 171,734 | 1,496 |
| Due to Schools & ISD | (6,342) | 237,700 | 240,792 | (9,434) |
| Due to Others | <u>138</u> | <u>17,539</u> | <u>17,677</u> | <u>-</u> |
| Total Liabilities | <u>\$ 20,429</u> | <u>\$ 459,633</u> | <u>\$ 473,934</u> | <u>\$ 6,128</u> |

The Notes to the Financial Statements are an integral part of this statement.

BEAVER TOWNSHIP

Notes to the Financial Statements For the Year Ended March 31, 2008

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Beaver Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Beaver Township.

In June, 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- a. A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- b. Financial statements prepared using full accrual accounting for all of the Township's activities.
- c. A change in the fund financial statements to focus on the major funds.

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been

Notes to the Financial Statements (continued)

removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last

Notes to the Financial Statements (continued)

payment has not been received by March 31; therefore; a receivable is recorded for this amount. For fiscal year-end March 31, 2008, the amount had been received so the receivable balance was \$0.

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2007 delinquent taxes of \$6,584 are recorded as receivable at March 31, 2008 and have been included in revenues for the year ended March 31, 2008.

The 2007 taxable valuation of the Township totaled \$14,576,537 on which ad valorem taxes levied consisted of .7945 mills for general operations and 1.4674 mills for fire operations raising \$11,512 for general operations and \$21,266 for fire operations. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

In addition the government reports the following fund:

Fiduciary Fund

Agency Fund - the agency fund is used to account for assets held by the township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Notes to the Financial Statements (continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated as fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

| | |
|----------------------------|---------------|
| Buildings and Improvements | 15 - 50 years |
| Land Improvements | 15 years |
| Equipment | 5 -10 years |

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year.

Notes to the Financial Statements (continued)

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

| <u>Budget Item</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------------------------|---------------|---------------|-----------------|
| General Fund - Assessor | 7,000 | 7,470 | (470) |
| General Fund - Clerk | 3,500 | 3,563 | (63) |
| General Fund - Treasurer | 4,500 | 4,842 | (342) |
| General Fund - Ambulance Services | - | 7,306 | (7,306) |
| General Fund - Zoning | 300 | 305 | (5) |
| General Fund - Payroll Taxes | 1,200 | 1,240 | (40) |

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has adopted an investment policy in accordance with Public Act 196 of 1997.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

| | <u>Governmental Activities</u> | <u>Fiduciary Funds</u> | <u>Total Primary Government</u> |
|---------------------------|------------------------------------|----------------------------|---|
| Cash and Cash Equivalents | \$ 131,109 | \$ 6,128 | \$ 137,237 |

The bank balance of the Township's deposits is \$175,450, of which \$122,345 is covered by federal depository insurance.

Notes to the Financial Statements (continued)

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

Shelby State Bank was the sole depository actively used by the Township during the year.

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and non-major funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

| | General Fund | Fire Fund | Total |
|------------------|-----------------|-----------------|-----------------|
| Taxes Receivable | <u>\$ 2,860</u> | <u>\$ 3,724</u> | <u>\$ 6,584</u> |

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--------------------------------------|----------------------|-------------|-------------|-------------------|
| Capital Assets not being depreciated | | | | |
| Land | \$ 16 | \$ - | \$ - | \$ 16 |
| Capital Assets Being Depreciated | | | | |
| Buildings & Improvements | <u>286</u> | <u>-</u> | <u>-</u> | <u>286</u> |
| Subtotal | 286 | - | - | 286 |
| Less Accumulated Depreciation for | | | | |
| Buildings & Improvements | <u>286</u> | <u>-</u> | <u>-</u> | <u>286</u> |
| Subtotal | <u>286</u> | <u>-</u> | <u>-</u> | <u>286</u> |
| Net Capital Assets being depreciated | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Capital Assets - Net of Depreciation | <u>\$ 16</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 16</u> |

Notes to the Financial Statements (continued)

NOTE F INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

| Receivable Fund (Due From) | | Payable Fund (Due To) | |
|-------------------------------|------------------|--------------------------|------------------|
| General Fund | \$ 7,090 | Fire Fund | \$ 7,090 |
| Fire Fund | 12,578 | Trust & Agency Fund | 12,578 |
| General Fund | <u>1,488</u> | Trust & Agency Fund | <u>1,488</u> |
| | <u>\$ 21,156</u> | | <u>\$ 21,156</u> |

NOTE I RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

BEAVER TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for General Fund For the Year Ended March 31, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance to Final Budget</u> |
|---|-------------------------|------------------|-------------------|-------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Beginning Year Fund Balance - April 1, 2007 | \$ 129,036 | \$ 129,036 | \$ 106,083 | \$ (22,953) |
| Resources (Inflows) | | | | |
| Property Taxes | 13,800 | 13,800 | 16,874 | 3,074 |
| State Shared Revenue | 44,000 | 44,000 | 44,826 | 826 |
| Licenses & Permits | - | - | 120 | 120 |
| Payments in lieu of taxes | - | - | - | - |
| National Forest Revenue | 1,200 | 1,200 | 1,570 | 370 |
| Interest | - | - | 3,187 | 3,187 |
| Miscellaneous | 11,500 | 11,500 | 10,089 | (1,411) |
| Amounts Available for Appropriation | 199,536 | 199,536 | 182,749 | (16,787) |
| Charges to Appropriations (Outflows) | | | | |
| General Government | 46,800 | 46,800 | 29,639 | 17,161 |
| Public Works | 94,236 | 94,236 | 14,550 | 79,686 |
| Health & Welfare | - | - | 7,306 | (7,306) |
| Community & Economic Development | 2,100 | 2,100 | 2,105 | (5) |
| Other | 23,600 | 23,600 | 9,227 | 14,373 |
| Total Charges to Appropriation | 166,736 | 166,736 | 62,827 | 103,909 |
| Budgetary Fund Balance - March 31, 2008 | <u>\$ 32,800</u> | <u>\$ 32,800</u> | <u>\$ 119,922</u> | <u>\$ 87,122</u> |

BEAVER TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for Fire Fund For the Year Ended March 31, 2008

| | <u>Budgeted Amounts</u> | | | <u>Variance to</u> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> |
| Beginning Year Fund Balance - April 1, 2007 | \$ 18,084 | \$ 18,084 | \$ 26,620 | \$ 8,536 |
| Resources (Inflows) | | | | |
| Property Taxes | 21,400 | 21,400 | 21,266 | (134) |
| Interest | <u>-</u> | <u>-</u> | <u>28</u> | <u>28</u> |
| Amounts Available for Appropriation | 39,484 | 39,484 | 47,914 | 8,430 |
| Charges to Appropriations (Outflows) | | | | |
| Public Safety | <u>19,000</u> | <u>19,000</u> | <u>17,337</u> | <u>1,663</u> |
| Total Charges to Appropriation | <u>19,000</u> | <u>19,000</u> | <u>17,337</u> | <u>1,663</u> |
| Budgetary Fund Balance - March 31, 2008 | <u><u>\$ 20,484</u></u> | <u><u>\$ 20,484</u></u> | <u><u>\$ 30,577</u></u> | <u><u>\$ 10,093</u></u> |

BEAVER TOWNSHIP

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended March 31, 2008

| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--------------------------|---------------|---------------|------------------------------------|
| Revenues | | | |
| Property Taxes | \$ 13,800 | \$ 16,874 | \$ 3,074 |
| State Shared Revenue | 44,000 | 44,826 | 826 |
| Licenses & Permits | - | 120 | 120 |
| Payment in Lieu of Taxes | - | - | - |
| National Forest Revenue | 1,200 | 1,570 | 370 |
| Interest | - | 3,187 | 3,187 |
| Miscellaneous | <u>11,500</u> | <u>10,089</u> | <u>(1,411)</u> |
| Total Revenues | 70,500 | 76,666 | 6,166 |
| Expenditures | | | |
| General Government | | | |
| Township Board | | | |
| Salaries and Wages | | 1,575 | |
| Miscellaneous | | <u>175</u> | |
| | 2,100 | 1,750 | 350 |
| Supervisor | | | |
| Salaries and Wages | | 2,525 | |
| Miscellaneous | | <u>245</u> | |
| | 3,500 | 2,770 | 730 |
| Elections | | | |
| Miscellaneous | 2,000 | 1,425 | 575 |
| Assessor | | | |
| Professional Services | 7,000 | 7,470 | (470) |
| Clerk | | | |
| Salaries and Wages | | 2,900 | |
| Miscellaneous | | <u>663</u> | |
| | 3,500 | 3,563 | (63) |

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

| | | | |
|-------------------------------|--------------|--------------|--------------|
| Board of Review | | | |
| Salaries and Wages | | 1,040 | |
| Miscellaneous | | <u>218</u> | |
| | 1,800 | 1,258 | 542 |
| Treasurer | | | |
| Salaries and Wages | | 3,601 | |
| Miscellaneous | | <u>1,241</u> | |
| | 4,500 | 4,842 | (342) |
| Township Hall and Grounds | | | |
| Salaries and Wages | | 200 | |
| Miscellaneous | | <u>3,426</u> | |
| | 18,000 | 3,626 | 14,374 |
| Cemetery | | | |
| Salaries and Wages | | 2,096 | |
| Miscellaneous | | <u>839</u> | |
| | <u>4,400</u> | <u>2,935</u> | <u>1,465</u> |
| Total General Government | 46,800 | 29,639 | 17,161 |
| Public Works | | | |
| Highways, Streets and Bridges | | | |
| Professional Services | 92,336 | 13,520 | 78,816 |
| Drains | 1,500 | 635 | 865 |
| Street Lighting | <u>400</u> | <u>395</u> | <u>5</u> |
| Total Public Works | 94,236 | 14,550 | 79,686 |

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

| | | | |
|--|-----------------|-------------------|-------------------|
| Health & Welfare | | | |
| Ambulance Services | - | 7,306 | (7,306) |
| Community & Economic Development | | | |
| Zoning | | | |
| Miscellaneous | 300 | 305 | (5) |
| Planning | | | |
| Salaries & Wages | <u>1,800</u> | <u>1,800</u> | <u>-</u> |
| Total Community & Economic Development | 2,100 | 2,105 | (5) |
| Other Functions | | | |
| Insurance | 6,200 | 5,129 | 1,071 |
| Payroll Taxes | 1,200 | 1,240 | (40) |
| Miscellaneous | <u>16,200</u> | <u>2,858</u> | <u>13,342</u> |
| Total Other Functions | 23,600 | 9,227 | 14,373 |
| Total Expenditures | <u>166,736</u> | <u>62,827</u> | <u>103,909</u> |
| Excess Revenues Over (Under) Expenditures | (96,236) | 13,839 | 110,075 |
| Fund Balance - April 1, 2007 | <u>106,083</u> | <u>106,083</u> | <u>-</u> |
| Fund Balance - March 31, 2008 | <u>\$ 9,847</u> | <u>\$ 119,922</u> | <u>\$ 110,075</u> |

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Board Members,
Beaver Township
Newaygo County,
Bitley, MI

In planning and performing our audit of the financial statements of Beaver Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Beaver Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Beaver Township's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Grand Rapids
4575 Lake Michigan Dr. NW
Grand Rapids, MI 49546
Phone (616) 453-8551
Fax (616) 453-9352

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

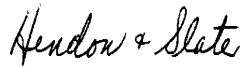
www.hscompanies.com

Controls over the Selection and Application of Accounting Principles that are in
Conformity with Generally Accepted Accounting Principles

The Township currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

This communication is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.
Certified Public Accountants
October 22, 2008

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

October 22, 2008

Board Members
Beaver Township
Newaygo County,
Bitley, MI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beaver Township for the year ended March 31, 2008, and has issued our report thereon dated October 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated April 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Beaver Township are described in Note A to the financial statements. In June 1999, the Township adopted the Government Accounting Standards Board's Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past

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Fax (231) 798-8409

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Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management: record accrued payroll.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 22, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In connection with our audit of Beaver Township as of and for the year ended March 31, 2008, we offer the following comments and recommendations:

Books and Records

Once again, the books and records of the Township were in good condition. However, we again noted that some of the checks were missing appropriate documentation for payment, preferably an invoice. We again recommend that the invoices be attached to a copy of the check. The Township should not pay expenditures which are not supported by some kind of documentation. For example, if the Township has a contract with someone, there may not be an invoice but a copy of the contract should be either attached to the check or a note from the clerk indicating the contract information (\$12,000 annual contract divided by 12 months equals \$1,000 current month payment).

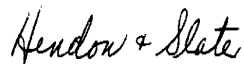
Budget Overexpenditures

Once again, we noted several material overexpenditures for the year. The Township is not supposed to spend more than it has budgeted for any department. Before an overexpenditure might occur, the Board should amend the budget to indicate the change in projection. To be aware of possible overexpenditures prior to being incurred, the Board would need to be receiving at least quarterly reports with the budget amounts compared with the actual expenditures. We again highly recommend that these reports be prepared and provided to the Board.

PTAF

As we indicated previously, the Township is required to keep, at a minimum, a memorandum of expenditures justifying the collection of the Property Tax Administration Fee (PTAF). As in the past, we could find no record of PTAF expenditures during our audit.

Very truly yours,

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, PC

Grand Rapids Office